5 Things to Consider When Moving to Digital Vendor/Supplier Payments in Sage 100

Introduction

We often think of digital transformation as a point in time, but history tells us it is more of a process. The payments space (meaning how we make or receive payments) is a good example of how digital transformation can take place in phases organically. If we consider the concept of digital payments within the context of an ERP system like Sage 100, we can classify them into three types of payment transactions:

1.	Payroll Expense Payments
2.	AR/Customer Payments
3.	AP/Vendor Payments

Payroll Payments Automation

According to NACHA, roughly 93% of employees today are paid via direct deposit ACH. Payroll was the first large expense to be automated via direct deposit. The Social Security Administration first offered beneficiaries the option to receive direct deposit in 1976, and the adoption of the direct deposit method for receiving paychecks has spread like wildfire since then. There are several generations in the workforce now that have never received a physical paper check.

Customer Payments Automation (B2C)

The next phase observed in payments automation is the method by which companies receive payments from their customers, largely in B2C environments. According to McKinsey, "The 82% of Americans using digital payments—defined to include browser-based or in-app online purchases, in-store checkout using a mobile phone and/or QR code, and person-to-person (P2P) payments—in 2021 exceeds last year's 78 percent and the 72 percent of five years ago." Customer payments have been in progress for automation for years using credit cards, PayPal, and other traditional online payment methods. Furthermore, a recent survey indicated the continuation of several behavioral trends relating to an increased use in cryptocurrency, and "buy now, pay later."

Vendor Payments Automation (B2B)

According to PYMTS.com, "81% of businesses still pay other firms via paper checks, making it the most common B2B payment method, even amid companies' pandemic-driven digitization efforts." Given the data listed above, the final phase of digital transformation in the payments space will impact the way businesses pay their vendors (B2B). Many small and mid-market businesses use software like Sage 100 that accommodates paper checks with ease but are not set up out of the box to handle digital payment methods and processing. These limits in the out-of-the-box ERP solutions have contributed to the delay of AP payments automation.

Five Key Elements

The goal of this eBook is to provide you with five key elements of vendor payment automation that you should consider as you look to implement a digital payment processing solution as a Sage ERP customer. Your vendor spending habits are likely your first or second largest group of expenses, so you should both take time to understand what payments automation is and consider key differentiators as you consider the different options available for automating your vendor payments.

1. Consider an Integrated Solution
2. Mitigate Paper Check Fraud
3. Simplify the Process for Your Vendors
4. Eliminate Manual Processes for Your Employees
5. Get Access to Additional Working Capital

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Consider an Integrated Solution

Sage customers are supported not only by Sage, but by a network of thousands of companies that provide embedded or integrated solutions. Organizations like Scanco exist to provide another level of depth, expertise, or integration that out-of-the-box ERP systems cannot fulfill on their own. Deloitte and MuleSoft surveyed business leaders in 2022 and learned that 38% of respondents see integration of siloed business software applications as their biggest challenge to digital transformation.

Tip #1: Make sure your payments automation platform is integrated for the purpose of Accounts Payable payments to vendors. There can sometimes be confusion around the term "payments automation," since there are customer payments, vendor payments, and payroll payments. Select a niche tool that is embedded for each of these types of your company spend.

Tip #2: Any solutions you are considering should be integrated with Sage 100. Scanco Payments Automation, for example, is embedded in Sage, providing you with the ability to export a payment file with one click that is easily imported into the Scanco Payments web portal for release of the payments. The last thing your business needs is another siloed database or application. Integration is key to the success of making your vendor payments processing streamlined and efficient.

Tip #3: Some AP solutions have several modules that could encompass everything from requisitioning, approval workflows, AP document capture, and payments automation. Although this can seem like an "all in one" solution, be sure you aren't adding more steps to your existing process or additional solutions to your technology stack. For example, if you need a document capture solution outside of AP invoices and you buy an AP solution that does OCR, you'll wind up with two solutions instead of just one. Another common gap for AP automation tools is 3-way matching on COGS invoices. The more you add, the slower your implementation, setup, and training will take to go live on an integration solution. This is one of the reasons why Scanco Payments has concentrated on AP Payments automation only, allowing you to build a technology stack with other integrated tools for workflow or document capture that make sense for your business.

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Mitigate Paper Check Fraud

Like we mentioned in the introduction of this eBook, nearly 81% of businesses pay their vendors via paper check. Although the common headlines for fraud that get national attention are nowadays related to cyber security, banks suffered from $789 million in check fraud in a single year (2016), meaning that paying by paper check makes people statistically more likely to become a victim of fraud.

A recent article in the Chicago Sun-Times highlights a growing issue in 2022 around "check washing." Midge Laurin mailed a $30 check that was intercepted, rewritten, and cashed to someone else for $9,475. They were told by their bank it could take up to six months to resolve this, and seven other customers were victims of the same crime.

Using software like Scanco Payments Automation, you have access to several digital payment methods and can easily eliminate the use of paper checks:

1) Virtual Cards
2) ACH Plus
3) eChecks

If you are interested in learning more about digital payment methods, see this blog on our site: Saving Time and Eliminating Paper Checks with Sage 100

3 Simplify the Process for Your Vendors

Every business is built around strong partnerships, and oftentimes your vendors are the largest, most integrated partners in your business. Each vendor organization has its preferences around how they receive payments, process payments, and the timing of the payments. Technology has expanded the ways we partner with our vendors, such as EDI documents, vendor-managed inventory, etc. Providing a forum where vendors can sign up for their preferred payment method further deepens the partnership you already have.

An easy and free way to strengthen your partnership with vendors is to give them options for how they want to receive payments. For various reasons, some may prefer ACH Plus with the remittance, while others prefer eChecks. For those that want to eliminate dealing with paper checks, bank deposits, and bank check processing fees, they might prefer to receive a virtual card they can process safely and securely using their gateway and merchant processor.

As a customer, have you ever experienced the option to "Buy Now, Pay Later?" This allows you to take a single purchase for say $1,000 and divide this over six monthly installments. Buy Now, Pay Later has become a pervasive option available on many eCommerce purchases, from Amazon to major airlines. Scanco Payments Automation has built out a similar service called FastPay. This is where your vendors can decide to accelerate payment in advance of trade terms, allowing them to get paid fast on outstanding invoices without factoring.

Vendor Onboarding Tip: As you begin to evaluate AP payment automation tools, make sure you understand who the responsible party is for collecting vendor information and adding them to your ecosystem if they don't already exist. For example, Scanco Payments Automation takes on the work to make sure your vendors are set up, signed up, and aligned on the best payment method for them.

"Alone, we can do so little; together, we can do so much."
- Helen Keller

Eliminate Manual Processes for your Employees

The latest generation to enter the workplace, Gen Z, has likely never written a paper check. This is a staggering thought given the high percentage of paper checks in B2B payments that exists today. In addition, this generation has a high aptitude for technology and an expectation for hybrid/remote work. Employers that are successful in providing younger employees with tools that can help automate paper-based processes and allow for remote work will be most successful in the long run.

GOBankingRates recently conducted a survey on the topic of remote work, finding, "Of those who responded who were members of Generation Z, 29% would prefer to work remotely. Not far behind those who prefer to work remotely are the 27% who view working remotely as a necessity. In total, 56% of this generation wants or needs to work outside of a traditional office setting." Leveraging tools like Scanco Payments Automation supports the intrinsic goals of newer staff members to an accounting team. They will have a tough time seeing the value in printing checks, putting them in envelopes, and dropping them off in the mail.

Aside from this generational aspect of automation, many accounting teams already feel like they are short a few people internally, so any step that can be taken to free up their time to work on higher-value tasks should be strongly considered. Supporting your employees with tools to help them be successful is a great way to increase employee happiness and retention. You may not be ready yet to replace Sage 100 and move to a browser-based cloud system. Stepping into the cloud in phases is a proven approach and allows you to give your employees access to newer tools like Scanco Payments Automation that will maximize their impact on your organization.

5 Get Access to Additional Working Capital

The global pandemic which began in 2020 disrupted supply chains in a way that was not seen before. Long lead times, higher costs for containers, and increased gas prices were all evidence of this disruption. The 2022 C2FO Working Capital Survey cites, "Globally, about 22% of businesses said a lack of access to funding had a negative impact on them." Of those surveyed, they mentioned the top three biggest obstacles to them getting capital were high-interest rates, decreasing revenue, and poor cash flow. Number four was variability in orders/demand, which many businesses have seen since 2020.

One of the benefits of using Scanco Payments Automation for making payments to your vendors is the easy access you get to Purchase Order Lines of Credit. When you have working capital tied up in general, are in a seasonal business, have a lot of capital tied up on the water, or have a history of making purchase orders to a vendor, you can get easy, fast approval for an unsecured line of credit for up to one million dollars. This comes in the form of an unsecured loan (meaning no collateral is required and no lien is placed on your business).

Savvy business owners leverage supply chain finance options like our purchase order lines of credit to take advantage of trade terms, early pay discounts, or higher quantity discounts. For example, if your vendor offers a lower price for a certain product but only if you buy over 1,000 cases, our purchase order line of credit will allow you to take advantage of that discount and buy more than you normally would. Another way this happens sometimes is via free freight. If you make a bigger purchase on a single PO, vendors will ship for free. In today's economy, leveraging additional working capital can help you creatively achieve your goals and impact your bottom line in a positive way.
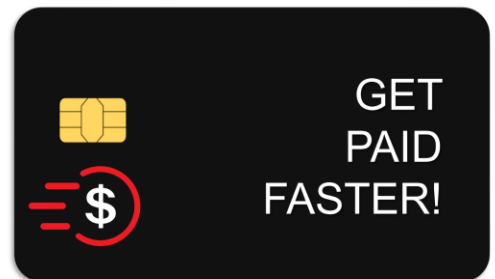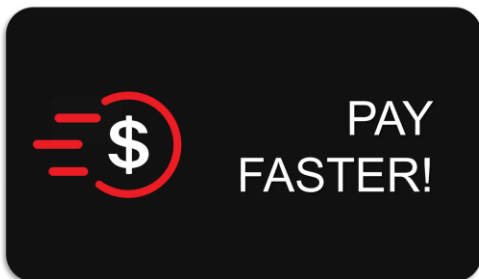
Are You Ready to Make Digital Payments to Your Vendors in Sage 100?

We hope you've enjoyed this eBook and found the content valuable. If you are ready to implement digital payments to vendors in Sage 100, please contact us by filling out this <u>form</u>. You can also <u>take Scanco Payments for a test drive</u>. The onboarding process is simple, and you can be up and running with digital payments using Sage 100 before your next month-end close.

About Scanco Software, LLC

One of the primary benefits of using a strong, proven software solution like Sage 100 is the access customers have to a wide ecosystem of integrated, embedded, and connected solutions. Scanco has been providing value-added products and services for Sage 100 since 1992. We help our clients manage everything from purchasing to warehouse management, all the way into the back office for payments automation.

FOR MORE INFORMATION OR TO SCHEDULE A DEMO:
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